



Rating Rationale

Ashutosh Flour Mill

9 Feb 2018

Brickwork Ratings assigns BWR B+ for the Bank Loan Facilities of Rs. 8.18 Cr of Ashutosh Flour Mill.

Particulars

Facility Rated#	Amount (Rs. Crs)	Tenure	Rating^
<u>Fund Based</u>			
Cash Credit	8.00	Long Term	BWR B+ (Pronounced BWR Single B Plus) Outlook : Stable Assigned
Term Loan	0.18		
Total	8.18	(INR Eight Crores and Eighteen lakhs only)	

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure-I provides details of bank facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials upto FY17, publicly available information and information/clarifications provided by the management.

The rating draws strength from the experienced partners and long track record of operations. The rating is, however, constrained by the below average financial risk profile marked by small scale of operations, low partners' capital and thin profitability, volatility in raw material prices and fragmented and competitive nature of the industry with low entry barriers.

Going forward, the Firm's ability to increase its scale of operations, strengthen its credit profile and manage its working capital requirement efficiently and would be the key rating sensitivities.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Key Rating drivers

Experienced Management and long track record of operations

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The firm started its operations from 2004 and has a long track record of operations of over a decade. The partners of the firm have experience of more than 3 decades in the processing business of agri products.

Small scale of operations and thin profitability

Total operating income was Rs. 37.70 Crs in FY 17 as against Rs. 30.96 Crs in FY 16. Partners' capital is low at Rs. 2.24 Crs as on March 31 2017. The small scale limits the firm's financial flexibility in times of stress and deprives it of scale benefits. Small scale of operations and low value additive nature of operations result in thin profitability of the business. Profit was low at Rs. 0.12 Crs for FY17.

Volatility in raw material prices and government regulations

The main raw material for production of wheat flour is wheat. Prices of wheat are subject to government intervention since it is an agricultural produce and staple food. The price of wheat is also influenced by the supply scenario which is susceptible to the agro- climatic conditions. Thus, any volatility in wheat prices can have direct impact on the profitability of the firm.

Fragmented and competitive nature of the industry

The agro processing industry is highly competitive and fragmented due to presence of many players operating in this sector owing to its low entry barriers, due to low capital and technological requirements.

Rating Outlook : Stable

BWR believes that the firm's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

About the Firm

Ashutosh Flour Mill was established in 2004 as a family based partnership firm in Puranpur (Pilibhit), UP. The firm is engaged in processing of wheat into wheat flour (atta), refined wheat flour (maida), semolina(sooji), choker and dalia at its manufacturing unit located at Puranpur. The firm markets its products locally in Uttar Pradesh region only.

Mr. Vijaykumar.Agarwal and Mr. Tanuj Agarwal are the Partners.

Financial Performance

Ashutosh Flour Mill reported Net Revenue of Rs.37.70 Crs and net profit of Rs 0.12 Crs for FY 17 as against Net revenue of Rs. 30.96 Crs and net profit of Rs. 0.10 Crs for FY 16. On a provisional basis, the firm has achieved a turnover of Rs. 28 Crs for ~10M FY18. Partner's Capital was Rs. 2.24 Crs and Total debt was Rs. 8.66 Crs as on March 31 2017. Current ratio was moderate at 1.22 times as on March 31 2017.

Rating History for the last three years:

Instrument/ Facility	Current Rating (February 2018)			Rating History		
	Type	Amount (Rs. Crs)	Rating	2016	2015	2014
Fund Based			BWR B+ (Outlook: Stable) Assigned	Not Rated	Not Rated	Not Rated
Cash Credit	Long Term	8.00				
Term Loan*		0.18				
	Total :	8.18	INR Eight Crores and Eighteen lakhs only			

- Term loan outstanding

Status of non-cooperation with previous CRA: Crisil Ratings, vide its advisory dt September 28 2017, has migrated its rating of the bank loan facilities of the firm to the Issuer Not Cooperating category as the entity had not provided requisite information to undertake a review of its ratings.

Any other information: Not applicable

Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Manufacturing Companies](#)
- [Approach to Financial Ratios](#)

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Annexure I

Details of Rated Bank Facilities – Bank of Baroda, Puranpur, Uttar Pradesh

Facilities	Rated Amount (Rs Crs)**
Cash Credit	8.00
Term Loan	0.18
Total	8.18

Annexure II

Key Financial Indicators

Particulars	FY 16	FY 17
Net Revenue (Rs. Cr)	30.96	37.70
EBITDA (Rs. Cr)	1.22	1.47
PAT (Rs. Cr)	0.10	0.12
Partner's Capital (Rs Cr)	1.98	2.24
Total Debt: TNW (Times)	4.55	3.86
Current Ratio (Times)	1.13	1.22

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.



About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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